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**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Investigation And Order to  
Show Cause on the Commission's Own Motion  
into the Operations and Practices of Pacific Gas  
and Electric Company with Respect to Facilities  
Records for its Natural Gas Distribution System  
Pipelines.

I.14-11-008  
(Filed November 20, 2014)

**PACIFIC GAS AND ELECTRIC COMPANY'S  
CLOSING STATEMENT FOLLOWING EVIDENTIARY HEARING**

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Dated: January 25, 2016

## **CLOSING STATEMENT FOLLOWING EVIDENTIARY HEARING**

As defined in the Scoping Memo, this proceeding addresses whether Pacific Gas and Electric Company's (PG&E) recordkeeping policies and practices for maintaining the safe operation of its gas distribution system violated applicable laws or regulations. PG&E supports the Commission's thoughtful review of this question, and appreciates the opportunity provided by the hearing to explain the many initiatives it has undertaken to improve its recordkeeping and the safety of its operations. As SED's experts, PWA, agreed, there will always be some level of risk in gas distribution. While PG&E acknowledges that it has not attained perfectly accurate records, the hearing demonstrated that the Company is firmly committed to continuous improvement in pursuit of that aspirational goal. Events such as the incident in Carmel are regrettable and unacceptable. However, as part of its journey toward becoming the safest and most reliable gas company in the country, PG&E is on the forefront of the industry in implementing innovative practices and initiatives aimed at minimizing the chance of such an event occurring in the future.

**Records:** SED focused on 19 incidents (five of which did not involve recordkeeping errors) in an attempt to illustrate broad deficiencies in PG&E's recordkeeping practices. PG&E acknowledges the seriousness of those incidents and deeply regrets any resulting property damage and inconvenience to its customers and the public. With only a few minor exceptions, PG&E has agreed to the facts of those incidents. PG&E has admitted that its records, like those of every other pipeline operator, are not perfect. PWA admits that imperfections in maps and records exist throughout the industry, a fact they acknowledge is also recognized in the federal

pipeline safety regulations, and concur that they are not aware of any operator that has perfect records, or is even in full compliance with regulations.<sup>1</sup>

**Corrective Actions:** SED identified many measures PG&E has implemented to improve its recordkeeping and safety performance as meeting—and in many cases exceeding—industry best practices. According to PWA, nine of the 24 measures PG&E has adopted are considered industry best practices that have been shown to produce superior safety results. An additional eight of these measures, according to PWA, are considered innovative practices, extending a step beyond industry best practices.

**Safety Performance:** PWA agrees with PG&E's experts that the frequency of excavation damage on an operator's distribution system is an indicator of both its safety performance and the accuracy of its distribution system recordkeeping. By comparison with the 19 identified incidents that occurred over a six-year period, PG&E marked well over two million sites for excavation during the same period. As PWA conceded, no general conclusions about the quality of PG&E's recordkeeping or distribution system safety could be drawn from such observations about a minute fraction of PG&E's work. PG&E successfully locates and marks nearly 99.98% of the more than a half million USA Ticket requests it receives in a typical year. And, PG&E has the *lowest* rate of excavation damage per 1,000 tickets in California and, according to PHMSA data, is in the top quartile compared to operators in other states, a noteworthy fact, given that PHMSA assesses California as lacking an effective excavation damage enforcement program.

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<sup>1</sup> PG&E acknowledges that it does not possess records showing the highest operating pressures from 1965-1970 that would be used under the "grandfather" clause, 49 C.F.R. § 192.619(c), to set MAOP on approximately 243 of its distribution systems. However, SED has repeatedly reviewed and audited the alternative procedure PG&E implemented in 1978 to address the absence of those historical records, and PG&E's analysis shows it is safe and appropriate to use, a conclusion PWA does not dispute.

**Standard of Care:** The central disagreement between the parties concerns the appropriate standard for citing violations related to recordkeeping. PWA has proposed a standard of care for this proceeding that would require PG&E to prevent *all “impactful events”* related to recordkeeping errors. (PWA does not contend historical records must be error-free, but asserts that PG&E must generate records with “*zero defects*” after 2015, although that prospective element appears irrelevant). PWA concedes that this standard—which it “infers”—is nowhere defined in the regulations and has not been adopted by any regulator. And, PWA seriously doubts that any operator in the country is in compliance with it.

PG&E’s experts, Richard Huriaux, a longtime senior PHMSA regulator, and Bruce Paskett, with decades of experience as a gas pipeline operator and participant in industry standard-setting organizations, proposed a standard of care firmly grounded in regulations and practicality. The standard they propose, which provides guidelines for implementing the broad safety mandate the Commission has held is embodied in Section 451, requires an operator’s reasonable compliance with the regulations and continuous improvement in its maps and records, based on the best available information, over time. This standard is repeatable, predictable, and implementable. Rooted in the regulations, it requires an operator to always strive toward the goal of eliminating errors and improving its safety performance.

In conclusion, PG&E regrets the incidents described in SED’s testimony and has firmly committed itself to a course of continual innovation and improvement to minimize the risk that such incidents might occur in the future. However, PG&E respectfully submits that SED has not met its burden of demonstrating that PG&E fails to safely operate its gas distribution system overall due to recordkeeping issues, or that PG&E’s industry-leading practices and performance fail to satisfy an appropriate standard of care and thus violate applicable laws or regulations.

Respectfully submitted,

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